

# CFTC Ex. 5

Message

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**Sent:** 7/25/2018 1:03:55 PM  
**To:** Andrew Nelson [anelson@longleaftrading.com]  
**Subject:** Rebuttals as a word file  
**Attachments:** Rebuttals.docx

This is scanned and then exported so there is a lot of poor interpretations.

## Jim Donelson

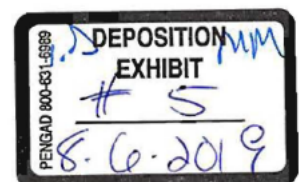
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Creating the Objection

What amount of money would you see as suitable for you for this type of investment?

Ok and do you justify investing \_\_\_\_\_ in this program? How do you make sense of that?  
Especially given everything that is going on in the markets now...

(i) Most of My Clients Originally Felt Uncomfortable

Being Uncomfortable is something very common that my clients have told me when they were initially considering the Time Means Money Program...they're not familiar with these markets, the strategy...it's all foreign to them, which is why we made the entire concept of the program comfortability. There's numerous ways that we actually address this...

1. Custom Communication - I work directly with you, how you want. Phone- email-text...whatever that is. I communicate everything to you in an easy to understand manner.
2. Custom Education - Education is there so that you have the tools and resources to be confident that you are making smart decisions with your portfolio
3. Transparency
4. Accountability
5. Customized Risk - your top concern probably isn't making money, it's wealth preservation - it's losing money. You determine that draw-down figure. It's impossible to turn around say 'what the heck happened to my account...' because your custom design that path along the way.

The only way that you would ever be uncomfortable is if you weren't true to yourself in what type of risk you wanted to take on. If you are honest with yourself, it is impossible to be uncomfortable.

You also are in 100% control, it requires your permission to enter/exit/adjust positions. If you weren't comfortable, you wouldn't be taking new positions. That's where I must be accountable to you, to make you comfortable, that's where you find value, and if you don't find that value then you are choosing not to pay us.

I need to Learn Everything First/I've Tried and Failed

I don't mean this in an insulting way, but I've tried basketball before and wasn't very good at it. But then there's guys like Michael Jordan, LeBron James, Larry Bird...guys that were good at basketball when I wasn't. It works for them.

Just because it didn't work for you when you tried it doesn't mean anything for options. That's actually expected. Like I mentioned before, 90% of people that try to do this on their own. they end up failing.

The reason is, because it's a zero-sum game for a winner there is going to be a loser. When it comes to the markets, you have professionals, then you have novice and intermediate investors doing this in their homes...and we are all competing against each other.

At the end of the day...it comes down to who is bigger/faster/ stronger...we do this professionally and are bigger/faster/stronger. When novice and intermediate investors are losing 90% of the time, someone is winning 90% of the time and that is the professionals.

Now the beauty of the broker-assisted environment is that it allows you to come in on the professional side, but also be in full control. You **MUST** give consent to enter/adjust/exit positions, but you get to leverage the knowledge and ideas of professionals.

Does that make sense?

@ Accountability/Trust-Worthiness/Our Ideas

You have to look at it this way...we deal with people's money. Right now, we live in an era where people cry foul every time they feel there has been some type of injustice against them...if someone has a bad dinner at a restaurant, they want to jump on Yelp and let the world know.

When it comes to people's money, this is especially the case...they want everyone in their path and everyone to know if they feel they were taken advantage of or if something didn't pan out for them.

That doesn't happen here. And the reason is because we have a 100% clean record with the NFA, our regulatory body. They have a system in place where if someone so much as had a complaint, they are able to file that and it is now on your record.

Now, I'm not going to sit here and tell you that everyone that we have worked with has made money...but we do it in a way where we explain everything up front, we are transparent, our clients know what they stand to gain and what they stand to lose at all times. And we take a very conservative approach where if a client doesn't make money in a given situation, they aren't upset about it or something like that.

Now the other thing to that is our ideas...Tim Evans is the director of the program....he's on CNBC, Bloomberg, Sky News, Wall Street Journal...he's everywhere...and the reason why he's everywhere is because he's the expert in these markets, he has a good handle on the markets, and he drives a strong return for our clients. If he were to be on TV talking about these concepts but clients weren't making money or something like that, that would be all over the internet...and you don't see that anywhere because that's one of our principles here, to drive a strong return for our clients, to make things easy to understand, and be fully transparent. Those are the principles that we follow and that's why we've done well for our clients.

Closing Off of Accountability/Trustworthiness/Our Ideas

Now, when it comes down to making our success and your success is actually doing it. Now, the great thing about the structure of this program is it assures that will be comfortable doing it in an incremental way.

What I mean by that is...1<sup>st</sup>, you design the risk you want to take on...2<sup>nd</sup> we use a conservative cash management approach...3<sup>rd</sup>, you have to give us permission to enter/ adjust/ exit positions.

And this is different...if you give money to an equity broker, let's say 25k, that 25k is ALL going into the market. If you realize things aren't going well, you are going to lose more money than you are comfortable with...it's already too late.

With us it's very different because we only utilize between 14-18% of your capital, that means that is your maximum amount of loss if you lose on your positions. And obviously, you are not going to take on any additional positions if you aren't winning.

We are very confident because we are good at what we do...and you're never really going to know that until you actually try it. But we are so confident in what we do and confident that we can make those YOUR results that we work on a 1 month contract. We only make money when we execute positions and you only execute positions if you're winning and making money.

It flips the script because we only make money if you're winning and deciding to take on new positions whereas in equities they make money regardless if you win or lose.

<:i>Past Performance Request

I can sit here and show you trades and WOW you or something like that....but I'm not going to do that because now you are going to be basing your decision on what I did in the past, and the market conditions moving forward are not going to be the same.

But what I can do for you is give you the structure of the program that puts you in a position to try this out in a way that will make you comfortable and put you in a position to hit your targeted goal...and I can do that in a way where you'll never turn around and say "what the heck just happened"... you'll be comfortable with it.

Now I won't sit here and tell you that this is the highest performing investment out there or something like that...there's a ton of stuff out there that is more aggressive and can out perform this program

But...I can say that the structure of this program is superior to the other options out there, because it allows you full control, to know exactly what is going on, it allows you to know exactly what you stand to gain/lose at all times, it gives you complete transparency. It is designed to completely accommodate you.

And it changes the relationship between financial services and the consumer because it requires that I perform for you...because at the end of the day you're hiring me to get you a specific return on your capital.. and if I'm not doing that there's no reason for you to pay me and keep going.

@Structure More Important Than Performance

What it comes down to, to see if an investment is going to be for you, is actually trying it. You can talk about all of the performance, scenarios that could play out...you can talk about that all you want but there's a reason the phrase 'past performance is not indicative of future performance' is a disclaimer in investing, it's because it's true, that's why regulators have it there.

Where our program is unmatched and has been so successful is the actual structure of it. It's 4 trades a month that happen in the same timeframe toward the end of the month, and we are following an execution strategy that both me and you designed in the beginning before even getting started.

At the trade desk, we look for the appropriate assets to add. We present them to you, it requires your permission to enter/ adjust/ exit positions. But in terms of sitting in front of the screen, monitoring everything...none of that stuff is necessary, we do that all for you. It puts YOU in complete control and gives you complete transparency as to what is going on.

Now, that being said, I have some clients that are very active with it....I have other clients that are hands off because their time is very limited. It comes down to how much time you want to put into it...whether that's 5 minutes a month or 10 hours a month, the results are the same, that won't determine the success or failure of the program.

In the structure of our program, you have complete control over your risk, so the structure of the program will never be the reason why you fail or are uncomfortable or make you feel like something got away from you. You have complete control over what is going on at any given point in time, you choose the specific risk you are comfortable with and we have those checkpoints along the way.

Also, this isn't like a mutual fund or annuity that has an early termination fee. We go into each month with essentially a 1 month contract with you. If you are happy with the program which comes down to your targeted return, then you are giving us permission to keep going. If you're not happy, you're not giving us the following month.

But remember, we only utilize between 14-18% of your cash, so you'll never turn around and say HEYYYY where'd all my money go??? It's done in a very conservative fashion.

(f) How Do You Get Paid?

The only time you pay anything is through execution. There's no dormant fees, management fees, performance fees...it's simply the execution on a position which is a leveraged option.

The only time we are executing is when you have found value...ultimately the value to you is our ideas. It requires me to make you comfortable, to educate you on what we're doing in order for you to give approval to execute a position.

Also,

Everything that we do is net of commissions. We're aware of that cost, and we have to make sure that cost is absorbed in the premium collection. For example, if we have an asset we need to bring in that brings in \$500 in revenue, we know that we need to go out and find an asset that brings in at least \$500 in revenue in order to stay true to our plan. It's not coming out of your pocket, it's coming out of our ability to design the positions appropriately. --:fa

Ch) What is the Investment Amount/Account Minimum?

We have 3 program packages, starting at 25k, 100k, and 250k. We don't ask people to come in higher than the initial program package of 25,000. In fact, I don't recommend starting higher than that.

Any funds in addition to that, whether it be 50k, 100k, 250k...whatever that may be is for us to earn. Our goal is to earn additional business from you through our performance.

Something I want to be clear about...you're not risking \$25,000...you're never using more than your risk level, whether it's \$4,000, \$5,000...whatever that is you are comfortable with. You dictate the amount of money that comes in as well as the risk.

Don't Have \$25,000...

Obviously, we have some times when we make exceptions to those minimums. For most people to feel comfortable, it's not going to come down to their own research or sticking their head in a book...it comes down to sticking their toes in the water and actually trying the program out. The only contingency we ask is after we have established that comfort level over the first 3 months, and we reach our first quarterly review, that after we have made you comfortable and show you the results you want to see, that you consider bringing your account up to the fully-funded level.



(j) Timing and Sense of Urgency

Now as I mentioned, the way our business model is set up is essentially a 1 month contract with you. You're hiring me to get a specific return on your capital, and I need the timing to be correct in order to not only get what you want, but to exceed that.

There's 2 ways to exceed those expectations. I can cut down on losing positions or I can get more aggressive levels of premium, which leads to higher profit and risk reduction. For example, instead of losing \$1,000 maybe I'm only losing \$500...and collecting more money too.

That gives you the ability to exceed that targeted return without upping the risk on the portfolio.

That's obviously mutually beneficial because it allows you to make more money, me to keep working with you but also to earn an additional allocation from you in the future.

Timing is everything...that doesn't change with investing, and applies even more so to what we do...take advantage of market volatility.

I'm very confident in the next 30 days what I can do for you right now and earn the ability to continue working with you.

That's because I have a good handle on everything on the horizon in the markets...it's all uncertainty, around this recent election, higher interest rates, an over-leveraged stock market. The provides us the necessary volatility to take advantage of, like I said before, we bring certainty into our portfolio when everyone else is uncertain.

You're hiring me to do a job and meet your expectations....what I am trying to show you is that I'm confident in my ability to not only meet, but EXCEED those expectations right now...and that's only going to be beneficial to you.

Does that sound fair?

Rollsaver Process and Sense of Urgency



Wants to See How Individual Trades are Designed

one thing that you have to understand is that your understanding of the intricacies of what goes into a particular trade has no bearing on the success or failure of the program. That doesn't change the results, results are going to be the same.

Also, if you are looking to see past trades that tells me that you aren't really understanding of the program. Keep in mind, 4 trades per month/48 trades per year. Any individual trade is just one data point, it doesn't matter good or bad.

What's important is your targeted return over the 48 trade data sample, but what's even more important is your customized risk in that data sample.

Lower Starting Balance- Is it Enough?

I'll be honest, I want to work with a higher amount when working with you. But, the only way that you would give that to me is if I do well for you, and the only way that I would do well for you to start off would be on a number that you are comfortable with.

Now...I wouldn't take this amount in an account if I didn't think I would be able to get it done. Remember, everything that we do is scalable...if I can make you money with \$10,000...I can do it with 20...30...it's all the same, all I'm doing is adding more contracts

The difference between \$10,000 and \$25,000 is very simple, it comes down to the coin flip. With 25k +, I have more ability to go through turbulence. If I flip 4 tails in a row that work against me, I have the ability to continue on my execution strategy...when I can continue the execution strategy, I can provide a large data sample where the 76.5% statistic will obviously be most powerful.

When I have less capital, I have less margin for error. However, timing can change all that.

What I mean by that, is if you give me \$10,000, from a cash management standpoint I can turn that into \$25,000. When we have heightened levels of volatility, which we do right now (market news headlines), when volatility is HIGH, you can collect more premium, when you collect more premium, you can reduce risk.

With that \$10,000 from a cash management standpoint, because I am collecting more, I can make that \$10,000 feel like \$25,000.

I am willing to work with you on a smaller scale like \$10,000 and prove to you that I can make you money, but what I need from you is to work with me on the TIMING of it, because I need a heightened level of volatility in order to do my job properly.

You're hiring me to do a job for you, to get you a return on your money...that's really the only value that I provide. And I'm telling you, in order to do that I need the timing to be right.

Because heightened volatility gives me 2 things...lower risk, meaning I can be wrong more times before I can be right - so I am increasing my margin of error...and also the ability to make more money.

I want to show this to you and prove this to you, but I need the timing to be right on it and the timing is now, I really can't stress that enough.

Do you know who the administrator of your plan is?(fidelity...scottrade...vanguard...et c)

What has to happen is we have to set up what's called a self-directed IRA, Long Leaf is not an IRA custodian so we have to outsource that...we outsource to a company called MidlandIRA.

IRA companies charge you fees to administer those plans on a yearly basis, and they're not very transparent with it. People usually think they have these free IRAs when it isn't really true.

So you would take the \$\_\_\_\_\_ from your current IRA, and roll it into a self-directed IRA which then funds your account here.

To educate you on the process, if you have a Fidelity IRA they restrict you the investor on what you can invest in, it's usually limited to their stuff. What a self-directed IRA is, it is run by companies that don't offer products or investment services, they're job is to just administer the actual funds giving the investor the flexibility to invest their money how they would like. That's why these types of IRAs are becoming more and more popular.

On top of that, they are fully transparent on cost. The cost is \$299/year, a \$50 application fee, and the first time you fund your investment account it is a \$50 fee. So it's \$400 for the first year and then \$300 per year after.

What we do here at long leaf, because we understand that people are not used to paying for a self-directed IRA and the only reason you are setting that up is so that you can set up your account here, in the event that you get your account funded in the month that we are talking to you we will give you commission credit over a period of time to make up for that fee, so it winds up free for you.

There's a timing that goes along with that, we can do this and we can make it happen, it just requires us to fill out the forms and things of that nature.

But there's also another thing I want to point out that's very important. When the market is uncertain, volatility is higher. When volatility is higher, I can collect more premium, when I can collect more premium, I can reduce risk.

Uncertainty in the market is very high right now, the reason it is high is because of the potential for a raise in interest rates here over the next few weeks, we have a new presidential administration starting in January on top of a historically weak period for stocks, slowed growth out of emerging markets like China and India, so there's all of this uncertainty right now.

This is what allows me to collect more money and reduce risk. This allows me to outperform those expectations in a much more conservative-risk fashion.

Like I said, you're hiring me to do this job for you, to exceed expectations, but I need my tools to be in the right spot for that as well to get started.

So if I can get that commitment from you to get the ball rolling on getting your account set up here so when we are initiating the next round of positions in the program we are able to get started in the way that both of us want, it will allow me to do so but then also absorb those costs associated with setting up that self-directed IRA as well.

What is your strike rate? Do you outperform 76.5%? I like to just use this in stocks? Why Futures?

It's a fact that 76.5% of ALL options expire worthless if held to expiration. Key word: ALL- meaning across all markets. Because that statistic is a fact, that's the data, that's what we build our execution plan on, expectations shouldn't be more than that.

That's important and the reason why we use the futures markets, because we have access to all markets to make sure that we can get a microcosm of that statistic in your execution plan.

In a year's time, we need to make sure that we are getting the appropriate data set to represent that long run statistic.

You can't do that by just selling options in one market like stocks - #1, that kills a key risk management component that we use, which is diversifying into un-correlated markets. #2, you aren't getting that microcosm of the long run statistic that was taken across ALL markets, not just stocks. #3, you need independent data points across that year, not correlated data points

So, we focus on the fixing our variables, risk/reward/probability which is the key to the structure of our portfolios in the program.